

U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3134
FAX 202 296-5157

USWEST

Elridge A. Stafford
Executive Director-
Federal Regulatory

EX PARTE OR LATE FILED

RECEIVED

FEB 26 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 26, 1998

WRITTEN EX PARTE

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

RE: CC Docket No. 95-116, Local Number Portability

Dear Ms. Salas:

The attached letter was submitted today in the above mentioned proceeding.

In accordance with Section 1.1206(a)(1) of the Commission's Rules, the original and one copy of this notice, with the attached letter, are being filed with your office for inclusion in the record.

Acknowledgment of date of receipt of this transmittal is requested. A duplicate of this letter is provided for this purpose.

Please contact me if you have any questions

Sincerely,



Attachment

No. of Copies rec'd
List ABOVE

021

U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3111
FAX 202 293-0561

Bruce K. Posey
Vice President - Federal Relations and Regulatory Law

USWEST

February 26, 1998

The Honorable William E. Kennard
Federal Communications Commission
1919 M Street, NW
Room #814
Washington, DC 20554

RE: Local Number Portability (LNP) Cost Recovery. CC Docket No. 95-116

Dear Chairman Kennard:

The long term number portability mandated by the FCC will soon be a reality for the customers of U S WEST and of other carriers in its region. To develop this capability in accordance with FCC requirements, U S WEST, in 1997, spent \$180 million on network, system and process modifications. U S WEST will spend a similar amount on this project in 1998.

U S WEST is encouraged that the Commission is considering a federal surcharge through which incumbent local exchange carriers would be allowed to recover 100% of their LNP costs. U S WEST has been supportive of this approach from the initial round of comments on this matter. At the same time, however, U S WEST is deeply concerned that the Commission may also be considering requiring a delay of several years before U S WEST can begin the recovery of LNP costs from its residential customers. Respectfully, U S WEST strongly opposes such a delay. U S WEST believes that the surcharge should be applied to all customers at the same time, in all areas that it serves. In other words, it should be permitted to apply the end user charge to both business and residence customers all at once. Since all customers will use this system to originate or receive calls, no deferral of cost recovery is appropriate for any customer group. Neither is a delay appropriate for any geographic area.

In addition, all LNP costs should be recovered within a reasonable time period. U S WEST has consistently recommended a three-year recovery period for all LNP costs (expense and capital). The recovery period should begin as soon as the order becomes effective. U S WEST does recognize there is concern about the amount of the monthly surcharge that would be necessary to provide funding over that period and therefore is willing to support an alternative approach. U S WEST believes a surcharge cap of 50 cents per month would protect local exchange subscribers from rate shock and avoid any adverse impact on universal service. Therefore, US WEST would support a cap of 50 cents per line on an end user charge applied to all customers at the time the Commission's order is effective. This would allow U S WEST to recover its LNP costs in five years, while assuring a recovery structure that protects consumer interests in price stability and predictability. U S WEST sees this as a reasonable alternative to its original recommended approach.

Page Two

RE: Local Number Portability Cost Recovery, CC Docket No. 95-116

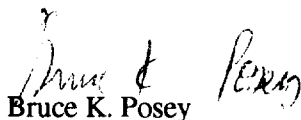
If the Commission orders a deferral of cost recovery for any class of customers, all customers will be penalized. With a deferral for residential customers, business customers will be required to pay a much higher charge during the initial period. This will result in businesses paying a disproportionate share of the costs, a result that would not be competitively neutral. It would also have the effect of creating another subsidy flowing from business to residence. The 1996 Act clearly seeks to identify subsidies currently existing in carrier rates and, where those subsidies would require universal service assistance, to identify explicitly these subsidies for support. In a similar policy vein, it would be unwise to create new subsidies (i.e., business paying off LNP costs prior to, and at a different rate than, residential subscribers), particularly with respect to network investments that are calculated and certain to advance and promote local exchange competition. Furthermore, that very competition will depress the ability of the incumbent carrier to recover all its costs, if recovery is not done in a nondiscriminatory and timely manner.

Ultimately, all customers, including residential subscribers, will be penalized because of the added cost of carrying charges associated with any deferred amounts. For example, if the recovery period is extended from five years to eleven years, U S WEST estimates the additional carrying charges will raise the total cost of LNP by over \$60 million for U S WEST's customers alone. Nationwide this equates to well over a half billion dollars more that the public might have to pay for LNP. U S WEST urges the Commission not to adopt such a wasteful approach for LNP cost recovery.

LNP is the most significant network change since divestiture and represents a massive investment in equipment and other resources. U S WEST should be permitted to recover its investment in a reasonable period of time. The approach recommended by U S WEST achieves this goal while minimizing burdens on its customers. U S WEST respectfully requests that its recommendations be adopted by the Commission.

Please contact me if you would like to discuss this matter further.

Sincerely,



Bruce K. Posey

Vice President-Federal Relations

cc: The Honorable Susan Ness
The Honorable Harold Furchtgott-Roth
The Honorable Michael Powell
The Honorable Gloria Tristani
Thomas Power
Jim Casserly
Paul Gallant
Kyle Dixon
Kevin Martin
Patrick Donovan